

**MAPLETON COMMUNICATIONS  
MANAGEMENT AGENCY  
MAPLETON, IOWA**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS'  
REPORT  
Years ended June 30, 2010 and 2009**

**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**Contents**

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements:	
Balance Sheets.....	2 - 3
Statements of Operations .....	4
Statements of Partners' Capital.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 12
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Government Auditing</u> <u>Standards</u> .....	13 - 14
Schedule of Findings.....	15



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Mapleton Communications Management Agency  
Mapleton, Iowa

We have audited the accompanying balance sheets of Mapleton Communications Management Agency (an Iowa partnership) as of June 30, 2010 and 2009, and the related statements of operations, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mapleton Communications Management Agency as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 29, 2010, on our consideration of Mapleton Communications Management Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Kiesling Associates LLP*

Emmetsburg, Iowa  
September 29, 2010

**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**BALANCE SHEETS  
June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 42,036	\$ 123,631
Accounts receivable		
Less allowance of \$2,739 and \$3,269, respectively	55,850	29,935
Prepayments	<u>-</u>	<u>1,578</u>
	<u>97,886</u>	<u>155,144</u>
 INTANGIBLES, net of amortization	 <u>313,542</u>	 <u>356,542</u>
 <b>PROPERTY, PLANT AND EQUIPMENT</b>		
Telephone plant in service	1,287,527	1,287,527
Video plant in service	63,152	60,121
Internet plant in service	<u>56,182</u>	<u>49,348</u>
	1,406,861	1,396,996
Less accumulated depreciation	<u>1,050,562</u>	<u>915,031</u>
	<u>356,299</u>	<u>481,965</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 767,727</u>	 <u>\$ 993,651</u>

The accompanying notes are an integral part of these financial statements.

## BALANCE SHEETS

The accompanying notes are an integral part of these financial statements.

**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**STATEMENTS OF OPERATIONS  
Years ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Local network services	\$ 171,641	\$ 159,133
Network access services	162,351	237,058
Video services	274,996	216,234
Internet services	186,282	161,534
Miscellaneous	<u>(52,171)</u>	<u>2,192</u>
	<u>743,099</u>	<u>776,151</u>
<b>OPERATING EXPENSES</b>		
Plant specific operations	134,381	184,731
Cost of video services	157,892	150,853
Cost of internet services	66,492	76,792
Depreciation and amortization	178,531	202,933
Customer operations	43,065	51,458
Corporate operations	83,634	80,593
General taxes	<u>35,432</u>	<u>33,716</u>
	<u>699,427</u>	<u>781,076</u>
<b>OPERATING INCOME (LOSS)</b>	<u>43,672</u>	<u>(4,925)</u>
<b>OTHER INCOME (EXPENSES)</b>		
Interest and dividend income	<u>282</u>	<u>378</u>
	<u>282</u>	<u>378</u>
<b>NET INCOME (LOSS)</b>	<u><u>\$ 43,954</u></u>	<u><u>\$ (4,547)</u></u>

The accompanying notes are an integral part of these financial statements.

**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**STATEMENTS OF PARTNERS' CAPITAL  
June 30, 2009 and 2008**

	<u>Contributed Capital</u>	<u>Accumulated Earnings</u>	<u>Total</u>
Balance at June 30, 2008	\$ 1,000,000	\$ 73,556	\$ 1,073,556
Net loss		(4,547)	(4,547)
Distributions	<u>(150,000)</u>	<u>          </u>	<u>(150,000)</u>
Balance at June 30, 2009	850,000	69,009	919,009
Net income		43,954	43,954
Distributions	<u>(260,000)</u>	<u>          </u>	<u>(260,000)</u>
Balance at June 30, 2010	<u>\$ 590,000</u>	<u>\$ 112,963</u>	<u>\$ 702,963</u>

The accompanying notes are an integral part of these financial statements.

**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**STATEMENTS OF CASH FLOWS  
Years ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 43,954	\$ (4,547)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	178,531	202,933
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(25,915)	(6,194)
Prepayments	1,578	(353)
Increase (Decrease) in:		
Accounts payable	(10,744)	5,817
Accrued taxes	866	(6,126)
Net cash provided by operating activities	<u>188,270</u>	<u>191,530</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	<u>(9,865)</u>	<u>(25,768)</u>
Net cash used in investing activities	<u>(9,865)</u>	<u>(25,768)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distributions to partners	<u>(260,000)</u>	<u>(150,000)</u>
Net cash used in financing activities	<u>(260,000)</u>	<u>(150,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(81,595)	15,762
Cash and Cash Equivalents at Beginning of Year	<u>123,631</u>	<u>107,869</u>
Cash and Cash Equivalents at End of Year	<u>\$ 42,036</u>	<u>\$ 123,631</u>

The accompanying notes are an integral part of these financial statements.



**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

Mapleton Communications Management Agency (herein referred to as "the Company") is a provider of local telephone access, long distance telephone services, video services and internet services in Mapleton, IA.

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management has evaluated subsequent events through September 29, 2010, the date the financial statements were available for issue.

Organization

Mapleton Communications Management Agency was formed in accordance with Iowa Code Chapter 28E between Mapleton Communications Utility, a municipal utility established by the City of Mapleton, IA, and Long Lines, L.L.C. All profits and losses are shared in proportion to ownership interest. The agreement also stipulates that the Company shall terminate no later than December 31, 2027, unless renewed for a reasonable period as the parties may agree.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Accounts Receivable

The Company provides an allowance for uncollectible accounts based upon prior experience and management's assessment of the collectibility of existing specific accounts. Receivables are considered past due when the amount has been outstanding for thirty days or more.

Intangibles

Intangible assets deemed to have indefinite lives are stated at the lower of cost or fair value. These assets are subject to periodic impairment tests. Intangible assets with definite lives are amortized.

Property, Plant and Equipment

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes, and employee benefits.

**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, Plant and Equipment (Continued)

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property. These estimates are subject to change in the near term.

Renewals and betterments of units of telephone property are charged to telephone plant in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable property. Repairs and renewals of minor items of telephone property are included in plant specific operations expense.

Repairs of video and internet property, as well as renewals of minor items, are charged to plant specific operations expense. A gain or loss is recognized when video and internet property is sold or retired.

Asset Retirement Obligations

Generally accepted accounting principles require entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

The Company has determined it does not have a material legal obligation to remove long-lived assets, and accordingly, there have been no liabilities recorded for the years ended June 30, 2010 and 2009.

Long-Lived Assets

The Company would provide for impairment losses on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

Income Taxes

Under provisions of the Internal Revenue Code, the partners include their respective shares of Partnership income or loss on their individual tax returns. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes (Continued)

The Company adopted new accounting guidance related to accounting for uncertainty in income taxes on July 1, 2009. In accordance with the guidance, the Company has evaluated its income tax positions. The Company has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at June 30, 2010.

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territory.

Local network service, video and internet revenues are recognized over the period a subscriber is connected to the network.

Network access and long distance service revenues are derived from charges for access to the Company's local exchange network. The intrastate portion of access revenues are billed based upon an individual company tariff access charge structure filed with the Iowa Utilities Board (IUB). The charges developed from these tariffs are used to bill the connecting long distance provider and revenues are recognized in the period the traffic is transported based on the minutes of traffic carried. Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at contracted rates.

The Company recognizes taxes charged to customers on a net basis in the statement of operations.

Fair Value Measurements

Recent accounting guidance for financial assets and liabilities presented at fair value defines "fair value", establishes a framework for measuring fair value, and expands disclosures related to fair value measurements. The guidance does not expand the use of fair value measurements in financial statements, but rather standardizes its definition and application in generally accepted accounting principles. The guidance provides for the use of three levels of input in determining fair value measurements. (Level 1 - quoted market prices; Level 2 - observable inputs of quoted market prices for similar or inactive items; and Level 3 - unobservable inputs.) The Company deferred until July 1, 2009 the adoption of this guidance for all non-financial assets and liabilities that are recognized or disclosed on a non-recurring basis. This includes goodwill, intangibles and non-financial long-lived assets that are measured at fair value in impairment testing.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform with the 2010 presentation.

**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 2. INTANGIBLES**

Intangible assets at June 30 consist of the following:

	2010		2009	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
<u>Amortized Intangibles</u>				
Customer lists	\$ 645,000	\$ 331,458	\$ 645,000	\$ 288,458

Amortization expense was \$43,000 for both years ended June 30, 2010 and 2009, respectively. Amortization expense is expected to be \$43,000 for each of the five succeeding years.

**NOTE 3. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment includes the following:

	2010	2009
Telephone plant in service:		
Furniture and office equipment	\$ 321,289	\$ 321,289
Vehicles and work equipment	10,248	10,248
Outside plant	955,990	955,990
Subtotal	<u>1,287,527</u>	<u>1,287,527</u>
Video plant in service:		
Head end equipment	6,590	6,590
Customer premise equipment	56,562	53,531
Subtotal	<u>63,152</u>	<u>60,121</u>
Internet plant in service:		
Internet equipment	<u>56,182</u>	<u>49,348</u>
 Total property, plant and equipment	 <u>\$ 1,406,861</u>	 <u>\$ 1,396,996</u>

Depreciation on depreciable property resulted in composite rates of 9.67% and 14.65% for 2010 and 2009, respectively. Depreciation expense for 2010 and 2009 was \$135,531 and \$159,933, respectively.

**NOTE 4. LEASES**

The Company is leasing various fiber optic routes on a monthly basis under an operating lease agreement. Total lease expense was \$42,000 for both years ended June 30, 2010 and 2009. The entire expense for the year ended June 30, 2010 and 2009, was paid to a related party.

**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 5. RELATED PARTY TRANSACTIONS**

The Company regularly conducts business with a variety of entities related through common ownership. The following is a summary of transactions and balances with related parties as of June 30, 2010 and 2009 and for the years then ended:

	<u>2010</u>	<u>2009</u>
Plant specific operations	\$ <u>91,284</u>	\$ <u>105,613</u>
Internet expense	\$ <u>65,706</u>	\$ <u>67,714</u>
Customer operations	\$ <u>41,418</u>	\$ <u>47,513</u>
Corporate operations	\$ <u>60,615</u>	\$ <u>64,678</u>
Accounts payable	\$ <u>1,937</u>	\$ <u>-</u>

The Company has a maintenance agreement with Long Lines, L.L.C. The Company has agreed to pay Long Lines, L.L.C. \$5,000 per month to operate the utility plant and provide management and accounting services. The agreement specified an initial term of three years, beginning in 2002, and is automatically renewable for additional twelve month periods, unless either party provides written notice prior to expiration.

**NOTE 6. COMMITMENTS AND CONTINGENCIES**

The Company has entered into a long-term agreement with Pioneer Internet (an affiliate of Long Lines, L.L.C.) for the provision of wholesale internet services. Services agreed to include access to wholesale internet service and the related transport and connectivity. The expenses for services provided under the agreement were \$65,706 and \$67,714 in 2010 and 2009, respectively. The agreement specified an initial term of sixty months, beginning in 2003, and is automatically renewable for additional twelve month periods, unless either party provides at least 365 days notice.

**NOTE 7. CONCENTRATIONS OF CREDIT RISK**

The Company grants credit to local service customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers.

The Company is subject to competition for telecommunication services including telecommunications exchange services offered by other providers in the service area.

**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 7. CONCENTRATIONS OF CREDIT RISK (Continued)**

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Mapleton Communications Management Agency  
Mapleton, Iowa

We have audited the accompanying financial statements of Mapleton Communications Management Agency as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mapleton Communications Management Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by management.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mapleton Communications Management Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the board of directors, management, and federal and state regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Kiesling Associates LLP

Emmetsburg, Iowa  
September 29, 2010



**MAPLETON COMMUNICATIONS MANAGEMENT AGENCY  
MAPLETON, IOWA**

**SCHEDULE OF FINDINGS  
Year ended June 30, 2010**

Findings Related to the Financial Statements:

**INSTANCES OF NONCOMPLIANCE:**

Telecommunications Services: No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.